

Message Text

UNCLASSIFIED

PAGE 01 SAO PA 01174 210441Z
ACTION COME-00

INFO OCT-01 ARA-14 ISO-00 EB-08 /023 W
-----118721 221841Z /42

R 201213Z APR 78
FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC 8456
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO
AMCONSUL PORTO ALEGRE
AMCONSUL RECIFE

UNCLAS SAO PAULO 1174

FROM EMBASSY COMMERCIAL COUNSELOR

E.O.11652: N/A
TAGS: BEXP, BR
SUBJECT: MARKET POTENTIAL FOR INDUSTRIAL SEWING MACHINES

REF: STATE 062951

1. SUMMARY

A FULL SCALE MARKET RESEARCH STUDY ON INDUSTRIAL SEWING MACHINES WOULD REQUIRE ABOUT 25 WORKING DAYS AND WOULD HAVE TO BE CONTRACTED OUT. HOWEVER, THERE IS SUFFICIENT INFORMATION ALREADY AVAILABLE TO PERMIT US TO COME TO ASCERTAIN TENTATIVE CONCLUSIONS AND RECOMMENDATIONS. CURRENTLY THERE IS A MARKET FOR SOME \$3 TO 4 MILLION IN INDUSTRIAL SEWING MACHINES IN BRAZIL AND NO DOMESTIC PRODUCTION. HOWEVER, PFAFF IS BEGINNING LOCAL MANUFACTURE THIS YEAR AND THREE OTHER COMPANIES, SINGER, BROTHER, AND JUKI WILL START LOCAL PRODUCTION BY 1980. AT THAT POINT OF SALES OF IMPORTED MACHINES WILL PROBABLY BECOME VERY DIFFICULT. IF THE US INDUSTRY WOULD LIKE TO TAKE ADVANTAGE OF THE EXPORT OPPORTUNITIES WHICH WILL EXIST UNTIL THE FOUR NEW BRAZILIAN FACTORIES COME INTO FULL PRODUCTION, THEY SHOULD SEND TRADE MISSION TO BRAZIL AS SOON AS POSSIBLE. WE

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 SAO PA 01174 210441Z

WOULD SUGGEST AUGUST 1978 AS THE MOST DESIRABLE TIME FOR SUCH MISSION.

2. THE BRAZILIAN GARMENT INDUSTRY

THE BRAZILIAN GARMENT INDUSTRY EMPLOYS 90,000 WORKERS AND HAS ANNUAL SALES OF SLIGHTLY OVER \$1 BILLION. IT IS DOMINATED BY FOUR FIRMS, WHICH ACCOUNT FOR ABOUT 40 PERCENT OF TOTAL SALES

AND WHICH ARE FOLLOWED BY A LARGE NUMBER OF MEDIUM AND SMALL PRODUCERS. THE LEADING CLOTHING MANUFACTURERS, AND THEIR 1976 SALES IN BILLIONS OF CRUZEIROS, ARE LISTED BELOW:

SAO PAULO ALPARGATAS	SAO PAULO	2,650
IND TEXTIL CIA HERING	SANTA CATARINA	707
CONFECÇÕES GUARARAPES	RIO GRANDE DO NORTE	610
DE MILLUS IND COM	RIO DE JANEIRO	605
ALPARGATAS NORDESTE	PERNAMBUCO	258
SUL FABRIL	SANTA CATARINA	256
DRASTOSA INDS TEXTEIS	SAO PAULO	171
VALISERE	SAO PAULO	165
FABRICA YPU	RIO DE JANEIRO	159
IND CONFECÇÕES V. ROMANA	SAO PAULO	155
KAHLIL SEHBE	RIO GRANDE DO SUL	149
JACK IND VESTUARIO	RIO GRANDE DO SUL	144
CONFECÇÕES WOLLENS	RIO GRANDE DO SUL	131

NOTE: THE AVERAGE EXCHANGE RATE FOR 1976 WAS 10.67 CRUZEIROS TO THE US DOLLAR.

3. BRAZILIAN MARKET FOR SEWING MACHINES

US EXPORTS OF INDUSTRIAL SEWING MACHINES TO BRAZIL WERE \$3.6 MILLION IN 1973, \$5.0 MILLION IN 1974; \$4.8 MILLION IN 1975; 3.9 MILLION IN 1976, AND \$2.6 MILLION IN 1977. THE DECLINE IN US EXPORTS IN RECENT YEARS IS NOT DUE TO COMPETITION FROM DOMESTIC PRODUCTION, SINCE THERE IS NONE SO FAR, BUT UNCLASSIFIED

UNCLASSIFIED

PAGE 03 SAO PA 01174 210441Z

RATHER TO THE DEPRESSION IN THE GARMENT INDUSTRY, WHOSE SALES VOLUME, ADJUSTED FOR INFLATION, HAS DECLINED EVERY YEAR SINCE 1973. THE INDUSTRY FARED REASONABLY WELL IN THE FIRST QUARTER OF 1978, HOWEVER, NAD SALES THIS YEAR ARE EXPECTED TO BE HIGHER THAN IN 1977.

4. BRAZILIAN SEWING MACHINE PRODUCTION

INDUSTRIAL SEWING MACHINES ARE NOT YET PRODUCED IN BRAZIL. ACCORDINGLY, THE IMPORT DUTY IS RELATIVELY LOW --30 PERCENT, COMPARED WITH RATE OF 205 PERCENT FOR HOUSEHOLD SEWING MACHINES. HOWEVER, PFAFF INDUSTRIAS DE MAQUINAS LTDA, OWNED BY G.M. PFAFF OF WEST GERMANY, HAS BEEN ASSEMBLING INDUSTRIAL SEWING MACHINES FOR EXPORT UNDER THE DRAWBACK SYSTEM AND WILL INAUGURATE A MANUFACTURING PLANT IN THE STATE OF PARANA THIS YEAR. DURING THE 1978-80 PERIOD THREE OTHER COMPANIES ARE EXPECTED TO BEGIN THE PRODUCTION OF INDUSTRIAL SEWING MACHINES IN BRAZIL -- BROTHER INTERAMERICANA, JOINTLY OWNED BY ELGIN (BRAZIL) AND BROTHER INTERNATIONAL (JAPAN), SINGER DO BRASIL, OWNED BY SINGER COMPANY (US), AND JUKI DO BRASIL, OWNED BY TOKYO JUKI INDUSTRIAL (JAPAN). WHEN THESE FACTORIES COME INTO PRODUCTION THEIR PRODUCTS CAN BE EXPECTED TO HAVE A COMPETITIVE ADVANTAGE OVER IMPORTED MACHINES, WHICH WILL BE SUBJECT TO THE

ONE-YEAR 100 PERCENT IMPORT DEPOSIT IN ADDITION TO A POSSIBLY INCREASED IMPORT DUTY.

5. CONCLUSIONS.

SALES OF INDUSTRIAL SEWING MACHINES TO BRAZIL COULD BE IN THE US\$4 TO 4 MILLION RANGE OVER THE NEXT 12 MONTHS. SUBSEQUENTLY, THE MARKET FOR IMPORTED MACHINES CAN BE EXPECTED TO DECLINE AND PRACTICALLY TO DISAPPEAR BY THE EARLY 1980'S, WITH THE POSSIBLE EXCEPTION OF SPECIAL MACHINES EMBODYING TECHNICAL FEATURES NOT FOUND ON BRAZILIAN-MADE MACHINES. THUS, IF ANY PROMOTIONAL ACTIVITIES ARE TO BE UNDERTAKEN IN BRAZIL, THEY SHOULD BE CARRIED OUT AS SOON AS POSSIBLE. IT WOULD BE UNDESIRABLE TO WASTE THE TIME. AND UNNECESSARY TO SPEND THE MONEY, TO PERFORM A FULL SCALE MARKET RESEARCH STUDY. A TRADE MISSION TO SAO UNCLASSIFIED

UNCLASSIFIED

PAGE 04 SAO PA 01174 210441Z

PAULO, RIO DE JANEIRO AND PORTO ALEGRE--PERHAPS IN AUGUST OF THIS YEAR, BEFORE THE FALL PROGRAM OF THE TRADE CENTER GETS UNDER WAY-- MIGHT BE USEFUL. AN ALTERNATIVE COULD BE TO MAKE THE CATALOGS OF THE US MANUFACTURERS AVAILABLE TO THE GARMENT MANUFACTURERS LISTED IN PARAGRAPH 2.
CHAPIN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SAOPA01174
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780172-0956
Format: TEL
From: SAO PAULO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780434/aaaabcxt.tel
Line Count: 142
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e45c79aa-c288-dd11-92da-001cc4696bcc
Office: ACTION COME
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 STATE 62951
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2902006
Secure: OPEN
Status: NATIVE
Subject: MARKET POTENTIAL FOR INDUSTRIAL SEWING MACHINES
TAGS: BEXP, BR
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/e45c79aa-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014